

-11-

powered to name the second arbitrator, and the respondent shall not be deemed aggrieved thereby. The arbitrators shall designate an umpire within thirty (30) days after both arbitrators have been named. In the event the two (2) arbitrators do not agree within thirty (30) days on the selection of an umpire, each shall nominate one (1) umpire. Within thirty (30) days thereafter the selection shall be made by drawing lots. The name of the party first drawn shall be the umpire.

- d) Each party shall submit its case to the Board of Arbitration within thirty (30) days from the date of the appointment of the umpire, but this period of time may be extended by unanimous consent, in writing, of the Board. The Board shall interpret this Reinsurance Agreement as an honorable engagement rather than as a merely technical legal obligation and shall make its award with a view to effecting the general purpose of this Reinsurance Agreement in a reasonable manner, rather than in accordance with the literal interpretation of the language. It shall be relieved from all judicial formalities and may abstain from following the strict rules of law. The decision in writing of the Board or a majority of the Board rendered at the earliest convenient date shall be final and binding upon all parties.
- e) The Company and the Reinsurer shall each pay the fee of its own arbitrator and half the fee of the umpire, and the remaining costs of the arbitration shall be paid as the Board shall direct. In the event both arbitrators are chosen by the petitioner, as provided in paragraph c) above, the Company and the Reinsurer shall each pay one half (1/2) of the fees of both of the arbitrators and the umpire, and the remaining costs of the arbitrations shall be paid as the Board shall direct.

#### ARTICLE XVI

##### HONORABLE UNDERTAKING

This Agreement shall be construed as an honorable undertaking between the parties hereto not to be defeated by technical legal construction, it being the intention of this Agreement that the fortunes of the Reinsurer shall follow the fortunes of the Company.

#### ARTICLE XVII

##### TAXES (Not Applicable to Domestic Reinsurers)

Notice is hereby given that the Reinsurers have agreed to allow for the purpose of paying the Federal Excise Tax 1% (One Percent) of the premium payable hereon to the extent such premium is subject to Federal

GERLING GLOBAL REINSURANCE CORPORATION  
U. S. BRANCH

GL ARG 001442

-12-

**Excise Tax.**

It is understood and agreed that in the event of any return of premium becoming due hereunder, the Reinsurers will deduct 1% (One Percent) from the amount of the return and the Company should take steps to recover the tax from the United States Government.

**ARTICLE XVIII**

**SERVICE OF SUIT (Not Applicable to Domestic Reinsurers)**

It is agreed that in the event of the failure of the Reinsurers to pay any amount claimed to be due hereunder, the Reinsurers hereon, at the request of the Company, will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such court jurisdiction and all matters arising hereunder shall be determined in accordance with the law and practice of such court.

It is further agreed that service of process in such suit may be made upon the Superintendent of Insurance of Albany, New York, and that in any suit instituted against the Reinsurers upon this Agreement, the Reinsurers will abide by the final decision of such court or of any Appellate Court in the event of an appeal.

The above-named are authorized and directed to accept service of process on behalf of the Reinsurers in any such suit and/or upon the request of the Company to give a written undertaking to the Company that they will enter a general appearance upon behalf of the Reinsurers in the event such a suit shall be instituted.

Further, pursuant to any statute of any state, district or territory of the United States which makes provision therefor, the Reinsurers hereon hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the Statute, or his successor or successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Company or any beneficiary hereunder arising out of this Agreement, and hereby designate the above-named as the person to whom the said officer is authorized to mail such process or a true copy thereof.

GERLING GLOBAL REINSURANCE CORPORATION  
U. S. BRANCH

GL ARG 001443

### NUCLEAR INCIDENT EXCLUSION CLAUSE—LIABILITY—REINSURANCE

(1) This reinsurance does not cover any loss or liability accruing to the Company(ies) as a member of, or subscriber to, any association of insurers or reinsurers formed for the purpose of covering nuclear energy risks or as a direct or indirect reinsurer of any such member, subscriber or association.

(2) Without in any way restricting the operation of paragraph (1) of this Clause it is understood and agreed that for all purposes of this reinsurance all the original policies of the Company(ies) (new, renewal and replacement) of the classes specified in Clause II of this paragraph (2) from the time specified in Clause III in this paragraph (2) shall be deemed to include the following provision (specified as the Limited Exclusion Provision):

#### Limited Exclusion Provision.

I. It is agreed that the policy does not apply under any liability coverage, to injury, sickness, disease, death or destruction with respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability.

II. Family Automobile Policies (liability only), Special Automobile Policies (private passenger automobiles, liability only), Farmers Comprehensive Personal Liability Policies (liability only), Comprehensive Personal Liability Policies (liability only) or policies of a similar nature; and the liability portion of combination forms related to the four classes of policies stated above, such as the Comprehensive Dwelling Policy and the applicable types of Homeowners Policies.

III. The inception dates and thereafter of all original policies as described in II above, whether new, renewal or replacement, being policies which either

(a) become effective on or after 1st May, 1950, or

(b) become effective before that date and contain the Limited Exclusion Provision set out above; provided this paragraph (2) shall not be applicable to Family Automobile Policies, Special Automobile Policies, or policies or combination policies of a similar nature, issued by the Company(ies) on New York risks, until 90 days following approval of the Limited Exclusion Provision by the Governmental Authority having jurisdiction thereof.

(3) Except for those classes of policies specified in Clause II of paragraph (2) and without in any way restricting the operation of paragraph (1) of this Clause, it is understood and agreed that for all purposes of this reinsurance the original liability policies of the Company(ies) (new, renewal and replacement) affording the following coverages:

Owners, Landlords and Tenants Liability, Contractual Liability, Elevator Liability, Owners or Contractors (including railroad) Protective Liability, Manufacturers and Contractors Liability, Product Liability, Professional and Malpractice Liability, Storekeepers Liability, Garage Liability, Automobile Liability (including Massachusetts Motor Vehicle or Garage Liability)

shall be deemed to include, with respect to such coverages, from the time specified in Clause V of this paragraph (3), the following provision (specified as the Broad Exclusion Provision):

#### Broad Exclusion Provision.

It is agreed that the policy does not apply:

I. Under any Liability Coverage, to injury, sickness, disease, death or destruction

(a) with respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or

(b) resulting from the hazardous properties of nuclear material and with respect to which (1) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (2) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

II. Under any Medical Payments Coverage, or under any Supplementary Payments Provision relating to immediate medical or surgical relief, to expenses incurred with respect to bodily injury, sickness, disease or death resulting from the hazardous properties of nuclear material and arising out of the operation of a nuclear facility by any person or organization.

III. Under any Liability Coverage, to injury, sickness, disease, death or destruction resulting from the hazardous properties of nuclear material, if

(a) the nuclear material (1) is at any nuclear facility owned by, or operated by or on behalf of, an insured or (2) has been discharged or dispersed therefrom;

(b) the nuclear material is contained in spent fuel or waste at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an insured; or

(c) the injury, sickness, disease, death or destruction arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility, but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (c) applies only to injury to or destruction of property at such nuclear facility.

IV. As used in this endorsement:

"hazardous properties" include radioactive, toxic or explosive properties; "nuclear material" means source material, special nuclear material or byproduct material; "source material", "special nuclear material", and "byproduct material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof; "spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor; "waste" means any waste material (1) containing byproduct material and (2) resulting from the operation by any person or organization of any nuclear facility included within the definition of nuclear facility under paragraph (a) or (b) thereof; "nuclear facility" means

- (a) any nuclear reactor;
  - (b) any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing spent fuel, or (3) handling, processing or packaging waste;
  - (c) any equipment or device used for the processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;
  - (d) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste.
- and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations; "nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material;
- With respect to injury to or destruction of property, the word "injury" or "destruction" includes all forms of radioactive contamination of property.

V. The inception dates and thereafter of all original policies affording coverages specified in this paragraph (3), whether new, renewal or replacement, being policies which either

- (a) become effective on or after 1st May, 1960, or
- (b) become effective before that date and contain the Broad Exclusion Provision set out above;

provided this paragraph (3) shall not be applicable to

- (i) Garage and Automobile Policies issued by the Company(ies) on New York risks, or

- (ii) statutory liability insurance required under Chapter 90, General Laws of Massachusetts,

until 90 days following approval of the Broad Exclusion Provision by the Governmental Authority having jurisdiction thereof.

It is further provided that original liability policies affording coverages described in this paragraph (3), (other than those policies and coverages described in (i) and (ii) above), which become effective before 1st May, 1960, and do not contain the Broad Exclusion Provision set out above, but which contain the Broad Exclusion Provision set out in any Nuclear Incident Exclusion Clause- Liability Reinsurance endorsements prior to February 4, 1960, shall be construed as if incorporating such portions of the Broad Exclusion Provision set out above as are more liberal to the holders of such policies.

- (4) Without in any way restricting the operation of paragraph (1) of this clause it is understood and agreed that original liability policies of the Company(ies), for those classes of policies

- (a) described in Clause II of paragraph (2) effective before 1st June, 1958, or

- (b) described in paragraph (3) effective before 1st March, 1958,

shall be free until their natural expiry dates or 1st June, 1968, whichever first occurs, from the application of the other provisions of this Clause.

- (5) Without in any way restricting the operation of paragraph (1) of this Clause, it is understood and agreed that paragraphs (2) and (3) above are not applicable to original liability policies of the Company(ies) in Canada and that with respect to such policies this Clause shall be deemed to include the Nuclear Energy Liability Exclusion Provisions actually used on such policies by the Company(ies); provided that if the Company(ies) shall fail to include such Exclusion Provisions in any such policy where it is legally permitted to do so, such policy shall be deemed to include such Exclusion Provisions.

2/4/60  
#1255

4753

CANCELLATION ADDENDUM

to the

INTERESTS AND LIABILITIES AGREEMENT

FACULTATIVE AND TREATY CASUALTY EXCESS OF LOSS  
\$500,000 Excess \$500,000

between

GERLING GLOBAL REINSURANCE CORPORATION, U.S. BRANCH,  
New York, N. Y., (hereinafter called the "Company") of the one part, and

ARGONAUT INSURANCE COMPANY, Menlo Park, Cal.  
(hereinafter called the "Subscribing Reinsurer") of the other part.

IT IS HEREBY UNDERSTOOD AND AGREED that this Agreement is terminated effective at midnight December 31, 1975. The Subscribing Reinsurer shall be liable for all losses occurring prior to the date of termination until their final settlement.

IN WITNESS WHEREOF the parties hereto, by their respective duly authorized officers, have executed this Cancellation Addendum, in duplicate, as of the dates undermentioned.

At New York, N. Y., this 8th day of April, 1976

GERLING GLOBAL REINSURANCE CORPORATION, U.S. BRANCH  
BY GERLING GLOBAL OFFICES INC., U.S. MANAGER

John P. Shung  
Vice President

[Signature]  
Vice President & Secretary

and at Menlo Park, Calif this 2ND day of August 1976

[Signature]  
C. L. 130

GERLING GLOBAL REINSURANCE CORPORATION  
U. S. BRANCH

GL ARG 001408

CANCELLATION ADDENDUM

to the

INTERESTS AND LIABILITIES AGREEMENT

FACULTATIVE AND TREATY CASUALTY EXCESS OF LOSS  
\$500,000 Excess \$500,000

between

GERLING GLOBAL REINSURANCE CORPORATION, U.S. BRANCH,  
New York, N. Y., (hereinafter called the "Company") of the one part, and

**ARGONAUT INSURANCE COMPANY, Menlo Park, Cal.**

(hereinafter called the "Subscribing Reinsurer") of the other part.

IT IS HEREBY UNDERSTOOD AND AGREED that this Agreement is terminated effective at midnight December 31, 1975. The Subscribing Reinsurer shall be liable for all losses occurring prior to the date of termination until their final settlement.

IN WITNESS WHEREOF the parties hereto, by their respective duly authorized officers, have executed this Cancellation Addendum, in duplicate, as of the dates undermentioned.

At New York, N. Y., this 8th day of April, 1976

GERLING GLOBAL REINSURANCE CORPORATION, U.S. BRANCH  
BY GERLING GLOBAL OFFICES INC., U.S. MANAGER

  
\_\_\_\_\_  
Vice President

  
\_\_\_\_\_  
Vice President & Secretary

and at this day of 1976

\_\_\_\_\_  
GERLING GLOBAL REINSURANCE CORPORATION  
U. S. BRANCH

GL ARG 001409

4753

ADDENDUM NO. 1

to the

INTERESTS AND LIABILITIES AGREEMENT  
FACULTATIVE & TREATY CASUALTY EXCESS OF LOSS  
\$500,000 Excess \$500,000

between

GERLING GLOBAL REINSURANCE CORPORATION, U.S. BRANCH,  
New York, New York (including the liability of other members of the  
Gerling Group of Insurance Companies, to the extent of their interest  
in the business the subject matter hereof) (hereinafter called the  
"Company") and

ARGONAUT INSURANCE COMPANY, Menlo Park, California

(hereinafter called the "Subscribing Reinsurer").

IT IS HEREBY MUTUALLY AGREED that effective January 1, 1975,  
Article VI, Premium, in the underlying Agreement is amended to read  
as follows:

"The Company shall pay to the Reinsurer a premium calculated at 0.70%  
(Zero point Seventy percent) of its gross net earned premium income  
in respect of business accepted by the Company in its Facultative &  
Treaty Casualty Department as reported in its annual statement.

By "gross net earned premium income" is meant the earned proportion  
of the Company's gross written premium in respect of the subject matter  
of this Agreement less cancellations and return of premiums.

The Company shall pay to the Reinsurer annually, in quarterly installments  
a Minimum and Deposit Premium of \$50,000 (Fifty Thousand Dollars).  
Should the Premium for each annual period, calculated in accordance with  
the first paragraph of this Article, exceed the Minimum and Deposit  
Premium, the Company agrees to pay the difference to the Reinsurer.

GERLING GLOBAL REINSURANCE CORPORATION  
U. S. BRANCH

GL ARG 001410

IN WITNESS WHEREOF, the parties hereto, by their respectively duly authorized officers, have executed this Addendum, in duplicate, as of the dates undermentioned.

At New York, N. Y. this 6th day of March 1975

GERLING GLOBAL REINSURANCE CORPORATION, U. S. BRANCH  
By: GERLING GLOBAL OFFICES INC., U. S. MANAGER

*Michael J. ...* Vice President  
*James L. ...* Vice President & Secretary

and at *Mano A.*, this *7th* day of *April* 1975  
*CALIF.*

*Linda Dunsick*  
*CK-130*  
*L.J. ...*

GERLING GLOBAL REINSURANCE CORPORATION  
U. S. BRANCH

GL ARG 001411



4753

GERLING GLOBAL REINSURANCE CORPORATION, UNITED STATES BRANCH  
New York, N. Y.

FACULTATIVE & TREATY CASUALTY EXCESS OF LOSS  
\$500,000 Excess \$500,000

INTERESTS AND LIABILITIES AGREEMENT

IT IS HEREBY MUTUALLY AGREED, by and between GERLING GLOBAL REINSURANCE CORPORATION, U. S. BRANCH, (hereinafter called the "COMPANY") of the one part and

ARGONAUT INSURANCE COMPANIES, Menlo Park, California

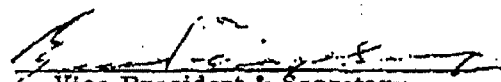
(hereinafter called the "SUBSCRIBING REINSURER"), of the other part, that the SUBSCRIBING REINSURER shall have a 15 % ( Fifteen percent ---- ) share in the interests and liabilities of the "REINSURER" as set forth in the document attached hereto, entitled FACULTATIVE & TREATY CASUALTY EXCESS OF LOSS, \$500,000 Excess \$500,000. The share of the SUBSCRIBING REINSURER shall be separate and apart from the share of the other reinsurers, and shall not be joint with those of the other reinsurers, and the SUBSCRIBING REINSURER shall in no event participate in the interests and liabilities of the other reinsurers.

This Agreement shall take effect at 12.01 a.m. January 1, 1973 and may be cancelled as per the attached Agreement. It also supercedes and terminates the prior Agreement dated in New York, May 6, 1971.

IN WITNESS WHEREOF the parties hereto, by their respective duly authorized officers, have executed this Agreement, in duplicate, as of the dates under-mentioned.

At New York, N. Y. this 16th day of May 1973

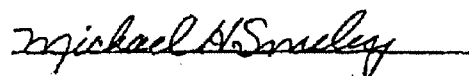
GERLING GLOBAL REINSURANCE CORPORATION, U. S. BRANCH  
By GERLING GLOBAL OFFICES INC., U. S. MANAGER

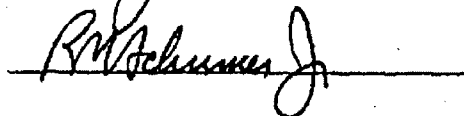
  
Vice President & Secretary

and at Menlo Park Ca this 7th

  
Vice President

day of June 1973





GERLING GLOBAL REINSURANCE CORPORATION  
U. S. BRANCH

GL ARG 001412

GERLING GLOBAL REINSURANCE CORPORATION

UNITED STATES BRANCH

October 22, 1974

U. S. MANAGER  
GERLING GLOBAL OFFICES INC.

717 FIFTH AVENUE  
NEW YORK, N. Y. 10022

Argonaut Insurance Companies  
Reinsurance Department  
250 Middlefield Road  
Menlo Park, California 94025

Gentlemen:

Re: Reinsurance Agreement  
Facultative & Treaty Casualty Excess of Loss  
\$500,000 Excess \$500,000  
Our File No. 4753 Your Share: 15 %

The Preamble of the above Contract protects Gerling Global Reinsurance Corporation, United States Branch, New York, N. Y. "including the liability of Gerling Global Reinsurance Company, Toronto, Ontario, Canada (hereinafter called the "Company")..."

We recently rearranged our retrocession, reducing the share given to Gerling Global Reinsurance Company, Toronto, Canada and instead ceding to Gerling Global General Insurance Company, Toronto, Canada.

We would therefore appreciate your agreement to rephrase this Preamble to read

"including the liability of other members of the Gerling Group of Insurance Companies, to the extent of their interest in the business the subject matter hereof (hereinafter called the "Company")..."

The above does not in any way change the gross or net liability or protection in the above Contract.

Kindly return to us a signed copy of this letter signifying your agreement.

*R. D. Carl*  
10-30-74.

BV:hl

Very truly yours,

*BV*

Bernd Vogelsang  
Vice President & Secretary

TELEPHONE: PLAZA 2-6900

CABLE: "GERCONERN"

TELEX: "GERUNG" N.Y. 1-2071

GL ARG 001413

# EXHIBIT F

**BUDD LARNER**

A PROFESSIONAL CORPORATION

COUNSELLORS AT LAW

150 JOHN F. KENNEDY PARKWAY, CN 1000  
SHORT HILLS, NJ 07078-0999  
973.379.4800  
FAX 973.379.7734  
www.buddlerner.com

Direct Dial: 973-315-4434

E-mail: JLeonard@budd-lerner.com

December 30, 2004

DEMAND FOR ARBITRATION

BY TELECOPIER AND CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

Argonaut Insurance Co.  
c/o Insurance Runoff Consultants  
8750 West Bryn Mawr, Suite 1300  
Chicago, Illinois 60631

Attention: Mr. Donald J. Buyck

Re: In the Matter of the Arbitration Between Gerling  
Global Reinsurance Corp. - U.S. Branch and  
Argonaut Insurance Co.  
Retrocessional billings in respect of AIG and  
Home Commutations  
Excess Per Risk Facultative Casualty Contract  
First Excess Facultative Casualty Contract  
Fourth Excess Facultative Casualty Contract  
First Surplus Contract  
Quota Share Contract

Dear Mr. Buyck:

This firm is counsel to Gerling Global Reinsurance Corp. - U.S. Branch ("U.S. Branch"), located at 1345 Avenue of the Americas, New York, New York. U.S. Branch hereby gives notice of its intent to arbitrate against Argonaut Insurance Co. ("Argonaut") all disputed issues relating to U.S. Branch's claims for payments of outstanding retrocessional balances owed to it by Argonaut in connection with U.S. Branch's commutations with its cedents, the American International Group Companies ("AIG") and Home Insurance

**BUDD LARNER**  
A PROFESSIONAL CORPORATION

Argonaut Insurance Co.  
December 30, 2004  
Page 2

Company ("Home"). The outstanding balances owed to U.S. Branch by Argonaut in respect of the AIG commutation are as follows:

<u>Contract</u>	<u>Amount</u>
Excess Per Risk Facultative Casualty Contract	\$491,048.99
First Excess Facultative Casualty Contract	\$302,863.55
Fourth Excess Facultative Casualty Contract	\$ 37,270.63
First Surplus Contract	\$ <u>96,118.81</u>
Total in respect of AIG Commutation	\$927,301.98

The outstanding balances owed to U.S. Branch by Argonaut in respect of the Home commutation are as follows:

<u>Contract</u>	<u>Amount</u>
Excess Per Risk Facultative Casualty Contract	\$ 692,471.64
Quota Share Contract	\$ 239,022.79
First Excess Facultative Casualty Contract	\$1,402,970.52
Fourth Excess Facultative Casualty Contract	\$ 26,729.75
First Surplus Facultative Casualty Contract	\$ <u>159,457.48</u>
Total in respect of Home Commutation	\$ <u>2,520,652.18</u>
Grand total in respect of both commutations	\$3,447,954.16

U.S. Branch will also seek pre-hearing security for the full amount due and an award of interest, attorney's fees and other appropriate relief.

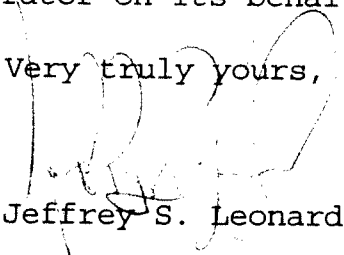
Unless Argonaut applies to stay this arbitration within twenty (20) days after service of this demand, Argonaut shall thereafter be precluded from objecting that a valid agreement was not made or has not been complied with and from asserting in court the bar of a limitation of time.

**BUDD LARNER**  
A PROFESSIONAL CORPORATION

Argonaut Insurance Co.  
December 30, 2004  
Page 3

U.S. Branch hereby demands that Argonaut appoint and identify its arbitrator within thirty (30) days. In the event that Argonaut fails to appoint and identify its arbitrator within that time, U.S. Branch will appoint Argonaut's arbitrator on its behalf.

Very truly yours,

  
Jeffrey S. Leonard

JSL/pl : 531592w

cc: Joseph J. Schiavone, Esq.  
Marc I. Bressman, Esq.

**BUDD LARNER**

A PROFESSIONAL CORPORATION

COUNSELLORS AT LAW

150 JOHN F. KENNEDY PARKWAY, CN 1000  
SHORT HILLS, NJ 07078-0999  
973.379.4800  
FAX 973.379.7734  
www.buddlerner.com

Direct Dial: 973-315-4434

E-mail: JLeonard@budd-lerner.com

January 10, 2005

AMENDED DEMAND FOR ARBITRATION

BY TELECOPIER AND CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

Argonaut Insurance Co.  
c/o Insurance Runoff Consultants  
8750 West Bryn Mawr, Suite 1300  
Chicago, Illinois 60631

Attention: Mr. Donald J. Buyck

Re: In the Matter of the Arbitration Between Gerling  
Global Reinsurance Corp. - U.S. Branch and  
Argonaut Insurance Co.  
Retrocessional billings in respect of AIG and  
Home Commutations  
Excess Per Risk Facultative Casualty Contract  
First Excess Facultative Casualty Contract  
Fourth Excess Facultative Casualty Contract  
First Surplus Contract  
Quota Share Contract

Dear Mr. Buyck:

This firm is counsel to Gerling Global Reinsurance Corp. - U.S. Branch ("U.S. Branch"), located at 1345 Avenue of the Americas, New York, New York. U.S. Branch hereby gives notice of its intent to arbitrate against Argonaut Insurance Co. ("Argonaut") all disputed issues relating to U.S. Branch's claims for payments of outstanding retrocessional balances owed to it by Argonaut in connection with U.S. Branch's commutations with its cedents, the American International Group Companies ("AIG") and Home Insurance

**BUDD LARNER**  
A PROFESSIONAL CORPORATION

Argonaut Insurance Co.  
January 10, 2005  
Page 2

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Grand total in respect of both commutations	\$3,447,954.16

U.S. Branch will also seek pre-hearing security for the full amount due and an award of interest, attorney's fees and other appropriate relief.

Unless Argonaut applies to stay this arbitration within twenty (20) days after service of this demand, Argonaut shall thereafter be precluded from objecting that a valid agreement was not made or has not been complied with and from asserting in court the bar of a limitation of time.

U.S. Branch hereby appoints Richard L. White as its arbitrator. Mr. White's CV is attached.

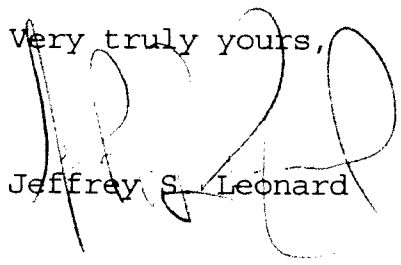


**BUDD LARNER**  
A PROFESSIONAL CORPORATION

Argonaut Insurance Co.  
January 10, 2005  
Page 3

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Very truly yours,

  
Jeffrey S. Leonard

JSL/pl:531592w

Enclosure

cc: Joseph J. Schiavone, Esq.  
Marc I. Bressman, Esq.  
Mr. Richard L. White



**Richard L. White**  
Certified Arbitrator

**ARIAS**  
IMPROVING  
ARBITRATION U.S.

#### **Personal Information**

Address: 58 Pine Blvd.  
Cedar Knolls, NJ 07927  
Phone: 973-292-2421  
Attorney: No

#### **Current Employment**

Company: **Integrity Insurance Company in Liquidation**  
Position: Deputy Liquidator - Responsible for orderly wind-up of the Estate's obligations affecting claims allowance, reinsurance collections and litigation management.  
Address: 49 E. Midland Avenue  
Paramus, NJ 07652  
Phone: 201 634 7222  
Fax: 201 262 0249  
Email: deputy@ilcl.org

#### **Previous Employment**

Company: **The Resolution Group (a subsidiary of Talegen & Crum & Forster)**  
Position: Sr. VP, responsible for establishing financial, systems, and human resources functions for insurance run-off organizations as a result of restructuring plan approved by Insurance Departments of all fifty states.

#### **Credentials**

Certified Public Accountant

#### **Principal Areas of Insurance/Reinsurance Experience**

Financial (Insurance/Reinsurance);  
Commutation/Collection of Reinsurance;  
Allocation of Reinsurance.

#### **Other Information**

Investment Income Chapter: Property-Liability Insurance Textbook, The College of Insurance 1984; Mealey's Insurance Insolvency: "Receivership: A Generational Commitment or Expeditious Solution", June 1, 1996; Mealey's Insurance Insolvency: "Agglornamento: A Tonic

#### **Years of Experience**

**Insurance:** 13  
**Reinsurance:** 2  
**Other:** Insolvency for 9 years

#### **Number of Arbitrations**

As an Arbitrator: **10**  
As an Umpire: **8**

#### **Completed Arbitrations (Award Issued)**

As an Arbitrator: **5**  
As an Umpire: **3**

for Insolvencies", October 10, 1996; Mealey's Insurance Insolvency: "Truncation and Reinsurer Objections", May 7, 1997; Best's Review: What Am I Bid? - "An Endgame for Receiverships"; Mealey's Environmental Conference: "Insolvency Clause - "The Emperor's Old Clothes", November, 1997. Mealey's Litigation Reports: "Reinsurance; Alternatives to Estimation of Claims and Acceleration of Reinsurance Recoverables", May 6, 1999 Mealey's Insurance Insolvency Conference: "Early Closing of Insolvent Insurers." Outsourcing to Guarantee Associations, May 2-3, 1999.

### Search Keywords

#### Professional Background

- Finance Department
- Former Insurance Company Officer
- Former Reinsurance Company Officer

#### Insurance

- Architects & Engineers
- Actuarial
- Agricultural
- Asbestos
- Audit
- Automobile Liability/Property
- Aviation
- Captives
- Claims
- Commutations
- Construction Defects
- Director & Officer Liability
- Disability
- Employment Practices Liability
- Excess/Surplus Lines
- Expert Witness
- Fidelity & Surety
- Financial Guarantee
- Finite Risk
- Liability
- Hazardous Waste
- Intellectual Property
- Marketing
- Professional Liability
- Program Business
- Property/Highly Protected Risk
- Retrospective Rating

#### Reinsurance

- Architects & Engineers
- Actuarial
- Agricultural
- Audit
- Automobile Liability/Property
- Aviation
- Claims
- Construction Defects
- Director & Officer Liability
- Fidelity & Surety
- Financial Guarantee
- Hazardous Waste
- Intellectual Property
- Professional Liability
- Program Business
- Run-Off
- Self Insurance
- Third Party Administrator
- Treaty
- Underwriting
- Workers' Compensation

- Risk  
Purchasing/Retention  
Groups
- Run-Off
- Self Insurance
- Third Party  
Administrator
- Treaty
- Underwriting

site by

Ecommerce Solutions, Shopping Cart Software, Web  
Content Management, Internet Marketing

Barry R Keogh

12/31/04 10:14 PM

To: Rljams@Argonautgroup.com  
Subject: RE: AIG and Home Commutation Balances

As discussed, Global Reinsurance Corporation- US Branch and Gerling Global Reinsurance Corporation of America have demanded resolution of these matters, also to include any balances owed respective to the CNA commutation, via arbitration. If you have not received our formal demand, as yet, direct from our counsel, please accept this correspondence as our demand for same- triggering all obligations pursuant to the contract language in our Per Risk, Excess of Loss and Clash treaty programs upon which you participate.

We are represented in this matter, which is distinct from our current pending arbitration, by Joseph Schiavone of the Budd-Larner law firm in Short Hills, New Jersey. Please advise as to your counsel in order that we may expedite an orderly proceeding.

It is unfortunate that you have not been supportive of our efforts in continuing to mitigate our mutual exposures. Your extreme approach contrasts sharply with the good faith efforts demonstrated by substantially all other reinsurers. We have firm belief in the reasonableness and due diligence we have applied, and from this day forward seek full compensation inclusive of accrued interest, our associated costs and other damages as the panel deems fit.

Regards,

Barry R. Keogh  
Senior Vice President - Claims  
Global Reinsurance Corporation of America  
1345 Avenue of the Americas  
New York, NY 10105

Direct Dial: 212 754-7574

----- Forwarded by Barry R Keogh/GGRCA/US on 12/31/2004 10:01 AM -----



"Ijams, Rhonda"  
<Rljams@Argonautgroup.com>

11/23/2004 12:51 PM

To: <barry\_keogh@ggrca.com>  
cc:  
Subject: RE: AIG and Home Commutation Balances

Received and thanks.

Rhonda Ijams  
Argonaut

-----Original Message-----

From: barry\_keogh@ggrca.com [mailto:barry\_keogh@ggrca.com]  
Sent: Monday, November 22, 2004 1:11 PM  
To: Ijams, Rhonda  
Subject: Re: AIG and Home Commutation Balances

Rhonda,

Attached is an exhibit that should confirm to you that the discounts Gerling achieved were of significant value to Gerling and its reinsurers.  
AIG and Home represented over 40% of our historical ITD incurred loss.

Additionally, we have concluded commutations with CNA, Great American and Zurich. We anticipate concluding a significant commutation with Hartford/First State in the very near future. We are in active discussions with Allstate and Fairfax. Commutations with Travelers and Liberty Mutual are probable for 2005. Obviously, retrocession cash flow from the AIG and Home commutations is funding these other commutations. We are sufficiently funded to finance these future commutations without your support. Reinsurers who are supporting us in good faith are being given priority consideration for commutation of their remaining liabilities to us once we have commuted a significant share of our inward exposure. We will not consider commutation discussion with reinsurers that have not maintained a good faith relationship with us.

Our counsel are forwarding our response to Don Buyck's letter of 10/22/04, which essentially advised that Argonaut would not support our commutations.

The purpose of my contacting you last month was to ensure that you were fully aware of, and in agreement with, your company's position which we interpret to be a total lack of support of Gerling's mutually beneficial exit strategy. Please contact me shortly should our assessment be in error.

Regards,

Barry R. Keogh  
Senior Vice President - Claims  
Gerling Global Reinsurance Corporation of America  
1345 Avenue of the Americas  
New York, NY 10105

Direct Dial: 212 754-7574

(See attached file: Actuarial Analysis Home-AIG 2001.xls)

# EXHIBIT G

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In the Matter of the Arbitration Between

Global Reinsurance Company - U.S. Branch,  
f/n/a Gerling Global Reinsurance Corporation - U.S. Branch

Petitioner,

- and -

Argonaut Insurance Company

Respondent.

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### CONFIDENTIALITY ORDER

1. The parties bound by this order are:

- a. Global Reinsurance Company - U.S. Branch and its parent corporation, subsidiaries, affiliates, agents, employees, officers and directors (Global) and.
- b. Argonaut Insurance Company and its parent corporation, subsidiaries, affiliates, agents, employees, officers and directors (Argonaut).

2. Except as provided in Paragraph 3 below, and absent written agreement between the parties to the contrary, all briefs, depositions and hearing transcripts generated in the course of this arbitration, documents created for the arbitration or produced in the proceedings by the opposing party or third-parties, final award and any interim decisions, correspondence, oral discussions and information exchanged in connection with the proceedings (hereinafter collectively referred to as "Arbitration Information") will be kept confidential. This Confidentiality Order will remain in effect even after conclusion of the arbitration proceedings.

3. Disclosure of Arbitration Information may be made: (a) to the extent necessary to obtain compliance with any interim decisions or the final award herein, or to secure payment from retrocessionaires; (b) in connection with court proceedings relating to any aspect of the arbitration, including but not limited to motions to confirm, modify or vacate an arbitration award; (c) as is necessary in communications with auditors retained by any party, or federal or state regulators; (d) as is necessary to comply with subpoenas, discovery requests or orders of any court; and (e) to the extent Arbitration Information is already lawfully in the public domain. Any disclosures pursuant to



subparagraphs (a) or (c) shall be accompanied by a copy of this Confidentiality Agreement and an instruction to any recipient to maintain the confidentiality of all Arbitration Information. In connection with any disclosures pursuant to subparagraph (b), subject to court approval, all submissions of Arbitration Information to a court shall be sealed.

If any party is requested or required under subparagraph (d) to disclose Arbitration Information, subject to any applicable legal restrictions, that party will give written notice to the other(s) as soon as possible after the subpoena, discovery request or court order is received. In all contexts, all parties will make good-faith efforts to limit the extent of the disclosures, if any, to be made, and will cooperate with each other in resisting or limiting disclosure of Arbitration Information.

4. For the purpose of conducting this arbitration, Arbitration Information may be disclosed as needed or appropriate to the following persons only:

- a. the arbitration panel, who evidence by their execution hereof their undertaking to maintain Arbitration Information in confidence as set forth herein;
- b. counsel for a party or employees of counsel's law firm who are assisting counsel;
- c. employees and agents of the parties for purposes consistent with this agreement;
- d. any party's deposition or trial witness;
- e. any person retained by counsel for a party to assist in this arbitration; provided however, that such person shall agree to be bound by the terms of this Confidentiality Agreement as if that person were a party, and shall so acknowledge by executing, prior to receipt of or access to Arbitration Information, an affidavit in the form attached hereto as Exhibit A; or
- f. any non-party deposition or trial witness; provided, however, that such person shall agree to be bound by the terms of this Confidentiality Order as if that person were a party, and shall so acknowledge by executing, prior to receipt of or access to Arbitration Information, an affidavit in the form attached hereto as

Exhibit A.

5. Additionally, for purposes of conducting this arbitration, Limited Arbitration Information may be disclosed as needed or appropriate to other panels for disputes between the Parties to this arbitration who evidence their understanding to maintain Limited Arbitration Information in confidence as set forth herein or in a form essentially similar. Limited Arbitration Information is Arbitration Information excluding this Panel's final award or order and any interim decisions.

6. If a party is requested or required to disclose Arbitration Information, subject to applicable legal restrictions, that Party will: 1) notify the other party(ies) in writing as soon as possible after the subpoena, request or court order is received, to permit the other party(ies) to seek legal protection against any such disclosure; and 2) tender the defense of that demand to the party that produced the Arbitration Information, or permit that party to associate in the defense of that demand. Unless the demand has been timely limited, quashed or extended, the obligated party will thereafter be entitled to comply with such demand, request or court order to the extent required by law. If requested by any other party(ies), the obligated party will cooperate (at the expense of the requesting other party(ies)) in the defense of a demand.

7. The parties recognize that serious injury could result to any party and its business if the other party breaches its obligations under this Agreement. Therefore, each party agrees that all parties will be entitled to seek a restraining order, injunction or other equitable relief if another party breaches its obligations under this Agreement, in addition to any other remedies and damages that would be available at law or equity.

Arbitrator: Richard L. White

Umpire: Edmond F. Rondepierre

15 May 2006

Arbitrator Thomas M. Daly has noted his dissent to the majority decision to exclude any Interim decisions or final awards or orders from the definition of Limited Arbitration Information.

# EXHIBIT H

In the Matter of the Arbitration between

GLOBAL REINSURANCE CORP-  
U.S. BRANCH, f/k/GERLING GLOBAL  
REINSURANCE CORP. - U.S.BRANCH

Petitioner

Edmond F. Rondepierre, Umpire  
Thomas M. Daly, Arbitrator  
Richard L. White, Arbitrator

And

ARGONAUT INSURANCE COMPANY

Respondent

### AWARD

Having considered the submissions and arguments of Counsel, the testimony of the witnesses and the record in this arbitration the Panel finds and rules as follows:

1. Global Reinsurance Corporation's (Global) claim for recovery on its non-clash related commutation balances of \$2,171,997.22 and clash related commutation balances of \$575,702.98 is denied.
2. Argonaut Insurance Company's (Argonaut) claim for forfeiture is denied. The commutation transactions do not represent a forfeiture of Global's rights under the retrocessional contracts. The Panel finds that the retrocessional contracts between Global and Argonaut at issue in this arbitration continue in full force and effect.
3. Global's claim for treatment of allocated loss adjustment expense on a pro-rata in addition to limits basis on the Facultative and Treaty Clash contracts is granted.
4. Argonaut is ordered to pay the claims submitted by Global for reinsurance recoverables in the amount of \$629,605.28. These recoverables include all outstanding balances at issue in this arbitration relating to claims with pipelines payments, non-commutation balances and all non-commutation clash balances per the attached Schedule "B".

5. Global may bill Argonaut on a going forward basis for claims involving the Home, AIG, or CNA, including but not limited to the commutation claims that were the subject of its commutation – related billings, as claims are resolved by the Home, AIG or CNA and reported to Global.

6. Should there be claims billings pursuant to this Award over the next twelve months, any disputes that cannot be resolved by the Parties shall be submitted to the Panel for resolution. At the end of the twelve month period the Panel will evaluate the necessity of appointing a Special Master to govern any future claim disputes related to this Award.

7. Argonaut may elect to pay without interest, within 45 days of the date of this order, the \$2,747,700.20(\$2,171,997.22 plus \$575,702.98) in commutation claims submitted by Global for reinsurance recoverable. Upon such an election, items 1,2, 5 and 6 of this Award become null and void. Within 15 days of the date of this order, Argonaut shall notify the Panel and Global whether it will make such an election.

8. Argonaut's payment of the commutation claims in accordance with paragraph 7 above shall serve to terminate, extinguish and forever release any and all future obligations of Argonaut under the Home, CNA and AIG contracts that were in issue in this arbitration.

9. All payments due Global pursuant to this award must be made within 45 days of the date of this order.

10. All other requests for relief are denied.

Edmond F. Rondepierre

Thomas M. Daly

Richard L. White

27 June 1007

**SCHEDULE B**

<u>Non-Clash Claims</u>	<u>Due Global</u>
ATT	\$ 15,015.38
Chromalloy	-
Corning Glass	-
Georgia Pacific	-
Louisiana Pacific	-
Plant Asbestos	-
State of California	-
Westinghouse	-
	<hr/>
	\$ 15,015.38

Clash Claims

AC&S	118,198.90
Armstrong Cork	100,738.50
Colt Industries	68,242.00
Combustion Engineering	66,840.30
Eli Lilly	3,088.95
Flintkote	61,009.20
Georgia Pacific	15,212.75
Kaiser	-
Owens Corning	169,821.35
Plant Asbestos	7,934.95
Westinghouse	3,503.00
	<hr/>
	\$ 614,589.90

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**\$ 629,605.28**

# EXHIBIT I



**Elizabeth Myers - Global/Argonaut -- XOL Arbitration**

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**From:** "Hajost, Theresa W." <Hajost@halloran-sage.com>  
**To:** <tom@tmdaly.com>, <tom@reconworldwide.com>, <nananded@aol.com>, <deputy@iicil.org>, <deputydawg.integrity@gmail.com>  
**Date:** 7/27/2007 4:38 PM  
**Subject:** Global/Argonaut -- XOL Arbitration  
**CC:** <jleonard@budd-larner.com>, <jschiavone@budd-larner.com>, <vpallotto@budd-larner.com>, "Blumenthal, Daniel A." <blumenthal@halloran-sage.com>

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This is to inform the Panel that Argonaut has elected to pay the amount set forth in Paragraph 7 of the Panel's Award. Argonaut will make that payment on or before the date set forth in the Panel's Award. Argonaut requests that the Panel members acknowledge receipt of this email and thanks the Panel for its services in this matter.  
Regards, Theresa Hajost

RESPONSES TO:

Theresa W. Hajost, Esq.  
Halloran & Sage LLP  
1730 Pennsylvania Avenue, NW  
Suite 800  
Washington, DC 20006  
Telephone: 202-263-4971  
Fax: 202-496-9279  
<mailto:hajost@halloran-sage.com>  
[www.halloran-sage.com](http://www.halloran-sage.com)

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